



ANNUAL REPORT—1932

JEWEL TEA CO., INC.
JEWEL PARK, BARRINGTON, ILL.

JEWEL TEA CO., INC.

GENERAL OFFICES
JEWEL PARK
BARRINGTON, ILLINOIS

DIRECTORS:

HENRY S. BOWERS
JOHN M. HANCOCK
M. H. KARKER
F. M. KASCH

ARTHUR LEHMAN
HAROLD M. LEHMAN
ARTHUR SACHS
H. J. TAYLOR

OFFICERS:

JOHN M. HANCOCK
Chairman of the Board of Directors

M. H. KARKER, *President* F. M. KASCH, *Treasurer*
H. J. TAYLOR, *Vice-President* J. M. FRIEDLANDER, *Asst. Treas.*
WM. D. SMITH, *Vice-President* ROBERT W. MUIR, *Secretary*
 F. J. LUNDING, *Asst. Secretary*

TRANSFER AGENT:

IRVING TRUST COMPANY, 1 Wall Street, New York City

REGISTRAR:

THE COMMERCIAL NATIONAL BANK & TRUST COMPANY OF NEW YORK
56 Wall St., New York City

AUDITORS:

TOUCHE, NIVEN & CO., *Public Accountants, New York and Chicago*

JEWEL TEA CO., INC.

JEWEL PARK

BARRINGTON, ILL.

February 3, 1933

TO THE STOCKHOLDERS:

THE seventeenth annual report of your company, including the balance sheet for the fiscal year ended December 31, 1932 and statements of the income and surplus accounts, is presented herewith.

PROFITS Net profit for the year — after provision for federal income taxes, depreciation, and reserves but not including losses in the operation of Jewel Food Stores, Inc. — was \$1,053,625.69 or \$3.76 per share, compared with \$1,363,780.25 or \$4.87 per share in the previous year. Dividends were paid at the rate of \$1 quarterly, making a total of \$4 per share for the year, but the quarterly rate was reduced to 75c per share beginning with the payment in January 1933. Treasury stock at the end of the year, not under contract for sale to employees, totaled 15,191 shares, leaving 264,809 shares outstanding in the hands of investors and on this number of shares earnings for 1932 were at the rate of \$3.98 per share.

For the forty-two weeks from the date of purchase on March 12, 1932 your company operated the retail outlets of Jewel Food Stores, Inc. The loss from operations, including substantial amounts spent in adapting and improving the properties, amounted to \$210,442.62. This loss was charged against the reserve for contingencies, established out of earnings in previous years and not out of surplus, and the balance of this reserve has been transferred to surplus. Future gains and losses in the operation of the stores will be reflected in forthcoming operating statements.

SALES Total sales amounted to \$11,090,562.08 compared with \$13,742,691.46 for 1931, a decrease of 19.30%. Excluding sales for the extra week in 1931 the decrease is 18.04%. The tendency of the consumer to undervalue quality for price resulted in a shift in volume from higher to lower priced coffees. This shift, plus materially lower selling prices, is responsible for the greater portion of the decrease in sales, lower tonnage being a lesser factor. Sales effort during the year was directed to the maintenance and improvement of existing routes, only six new routes being added during the year and, as heretofore, the expense of adding these new routes was charged to current operations.

Sales of Jewel Food Stores, Inc. for forty-two weeks amounted to \$3,571,689.55.

WORKING CAPITAL Since the organization of your subsidiary, Jewel Food Stores, Inc., the balance sheets of the two companies have been consolidated. Your company continues to maintain a favorable financial position with net working capital of \$3,398,302.42 and a ratio of current assets to current liabilities of 4.37 to one. Cash and marketable securities exceed total liabilities by \$1,554,914.66.

OPERATING EXPENSE Total expenses of operation were reduced 13.93% from 1931. In comparison with 1929 there has been a decrease of 18.63% in expenses while the number of operating units has increased 13.22%. During the last year economies were effected on practically every item of expense, and a general reduction in salaries and wages was made effective May 23, 1932. The sacrifices necessitated by the times have been shared by all officers, executives, and employees. Doubtful customers' accounts are in larger number than in previous years and provision for these losses resulted in an increase in this charge to expense.

INVENTORY CONTROL Strict control of inventories has been maintained and commodity markets have been carefully followed to take full advantage of declining costs. The July-October revolution in Brazil created a shortage of desirable Santos coffees and presented a difficult problem in the maintenance of both quality and quantity supply. Your company was fortunate in that larger purchases were made at advantageous prices shortly before the revolution started and these supplies made it possible to carry through the time when there was a scarcity, placing your company in a position to buy when the market had declined. At the end of the year the write-down of total inventories from cost to market was \$47,000, a loss of only 3% of the value of stocks on hand.

LOSSES Damage to property, and compensation to employees for injury, as a result of the explosion and fire on September 21, 1932 amounted to \$38,629.15 of which \$35,754.11 was covered by property insurance. Payment of the latter amount was received on November 30, 1932. Extensive as the damage was, the management is grateful that there was no loss of life or serious permanent injury to personnel and proud that the effort of the headquarters organization made it possible to reopen the plant the following morning without a minute's loss in production time.

Marketable securities were written down from cost to market value in the amount of \$47,700, although the amount realized on bonds which were paid at maturity or sold during the year exceeded the value at which they were carried on the books of your company by \$60,000, which sum was included in income. There was unrealized recovery of \$51,200 on the amounts by which marketable securities were written down in previous years. At the close of the year your company held U. S. Government obligations in the amount of \$1,360,000 at par value.

Bank failures in the United States continued at an abnormally high rate in 1932 but only two banks in which your company had deposits closed their doors, although it also held uncollectible drafts on 31 other banks which failed. The amount involved in bank failures totals \$2900 and has been written off. Recoveries in connection with banks previously closed were 45% of the losses which were charged off in 1931.

RESERVES Assets have been conservatively valued and reserves adequate in the light of present day conditions have been provided in every instance.

TAXES AND THE COST OF GOVERNMENT During 1932 your company paid taxes amounting to \$233,389.34, 22% of the amount of the company's total profit for the year.

The federal, state, and municipal tax situation is one of the most serious being faced by individuals and industry. The national debt has increased practically one-third in the last three years and is now about half as great as the current annual national income. On that basis the national debt is heavier than ever before in the history of the country and approximates 7% of the total national wealth. This federal debt has increased as wealth and income have shrunk.

In the face of continuing deficits in federal, state, and local government, the taxing bodies continue direct and indirect rates of taxation which appropriate to the purposes of government from one-fourth to one-third of total annual income. Hope that our multiplicity of governments may be restricted and prevented from eating themselves up appears to lie in the expression of public opinion. Both the present fact and the future outlook are serious to individuals and to business and it is earnestly recommended that you act. A letter to your representatives in congress, assembly, and council can be the medium of expressing what you want done.

CAPITAL INCREASE Changes in the capital account were made during the year to reflect the increase in the amount of assets employed in the operation of the business with the transfer of \$1,100,000 from surplus account to capital account, used for acquisition and working capital for Jewel Food Stores, Inc.

REVALUATION OF FIXED ASSETS For about twelve years, but more pronouncedly in the last four years, there has been substantial decline in the cost of buildings, machinery, and equipment. Your board of directors deemed it advisable to write down fixed assets from book value to present actual values, based upon current replacement costs with due allowance for depreciation for the full time that the property has been in use. This adjustment amounts to \$404,537.66 and has been charged to the capital account. This charge follows the principle observed by your company of adjusting its capital account when the proportion of assets currently employed in the business changes, and because a shrinkage in property and equipment values represents a shrinkage in capital values.

Depreciation on fixed assets in 1932 was charged against earnings on the basis of original costs. The estimated reduction of \$25,000 per year in depreciation will be reflected in earnings beginning with 1933.

SURPLUS The surplus account was closed with a balance of \$1,431,486.55 and is more than covered by the present value of marketable securities, \$1,825,436.40.

The management makes grateful acknowledgment of the devotion, loyalty, and earnest effort of everyone in the organization without which the results of the operation of your company for the year 1932 would not have been possible.

For the Board of Directors:

JOHN M. HANCOCK, Chairman

M. H. KARKER, President

JEWEL TEA CO.
(INCLUDING JEWFOOD ST)
CONSOLIDATED BALANCE SHEET,

ASSETS

CURRENT ASSETS:

Cash.....	\$ 737,058.83	CURR
Marketable securities at cost or market, whichever is lower, and interest	1,825,436.40	
Accounts receivable—		
Trade customers.....	\$ 161,915.38	
Miscellaneous	93,829.77	
	<hr/>	
Less reserve for doubtful accounts.....	\$ 255,745.15	RESEI
	24,760.64	
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Inventories at cost or market, whichever is lower—	230,984.51	
Groceries.....	\$1,181,085.18	
Premiums.....	248,608.66	
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Trust fund investments (Surety deposits, per contra).....	1,429,693.84	NET
	<hr/>	
	182,709.41	Cor
	<hr/>	
	\$4,405,882.99	A

**COMMON STOCK IN TREASURY AND HELD FOR
EMPLOYEES:**

(16,852 shares) Less payments thereon.....	437,114.01	L
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DEFERRED CHARGES:

Premiums (at cost) advanced to customers.....	\$ 669,413.44	S
Less reserve for doubtful accounts.....	81,494.61	
	<hr/>	
Unexpired insurance, expense supplies, etc.....	\$ 587,918.83	
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	132,786.38	
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	720,705.21	

CAPITAL ASSETS:

Land	\$ 357,740.75	CO
Buildings.....	\$ 826,648.09	
Machinery, furniture and fixtures, at plants.....	447,302.59	
Branch and store equipment	1,329,795.43	
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Less reserve for depreciation	\$2,603,746.11	
	<hr/>	
	1,049,475.48	
	<hr/>	
	1,554,270.63	U
	<hr/>	
	1,912,011.38	
	1.00	
	<hr/>	
	\$7,475,714.59	

To THE BOARD OF DIRECTORS, JEWEL TEA CO., INC.:

We have examined the books and accounts of Jewel Tea Co., Inc. and its subsidiary, that the above balance sheet and accompanying income and surplus account are in accordance ther combined companies at that date and the result of operations for the year then ended.

Chicago, Illinois,
January 30, 1933.

THE CO., INC.

NEWFOOD STORES, INC.)

BALANCE SHEET, DECEMBER 31, 1932

LIABILITIES

CURRENT LIABILITIES:

Letters of credit and acceptances	\$ 5,300.00
Accounts payable, trade.....	146,266.35
Dividends payable, January 16, 1933.....	210,000.00
Other accounts and wages payable.....	292,784.10
Federal income tax	130,689.90
Trading stamps outstanding.....	39,830.81
Surety deposits (Trust fund investments, per contra).....	182,709.41
	<u>\$1,007,580.57</u>

RESERVES:

For automobile accident and fire losses.....	101,185.13
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NET WORTH:

2.99 Common stock, no par value —	
Authorized.....	300,000 shares
Unissued.....	20,000 shares
	<u>280,000 shares</u>
14.01 Issued and outstanding.....	
Stated value, January 2, 1932.....	\$4,240,000.00
Appropriation of amount equivalent to investment in Jewel Food Stores, Inc. transferred from surplus	1,100,000.00
	<u>\$5,340,000.00</u>
705.21 Less reduction of book value of land, buildings, machinery, etc. to basis of current values	404,537.66
	<u>\$4,935,462.34</u>
011.38 Earned surplus, per annexed statement.....	1,431,486.55
1.00	
	<u>6,366,948.89</u>

CONTINGENT LIABILITY:

Under contracts for coffee not shipped at December 31, 1932	<u>\$31,286.04</u>
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0.00

.714.59

\$ 7,475,714.59

nd its subsidiary, Jewel Food Stores, Inc., for the year ended December 31, 1932, and hereby certify
in accordance therewith; and exhibit, in our opinion, a correct statement of the financial position of the
nded.

TOUCHE, NIVEN & CO.
Public Accountants

JEWEL TEA CO., INC.
 (INCLUDING JEWEL FOOD STORES, INC.)

CONSOLIDATED INCOME AND SURPLUS ACCOUNT

For the Year Ended DECEMBER 31, 1932

NET SALES — Wagon routes	\$11,090,562.08
DEDUCT:	
Cost of sales including raw materials, labor, supplies, operating expenses, etc.....	\$9,608,447.76
Provision for depreciation of buildings, machinery, furniture and fixtures, and automobiles.....	364,145.78
Taxes — Federal and state income, franchise, capital stock, excise, sales, chain store, gasoline, personal property and real estate taxes, and automobile and business licenses.....	233,389.34
	<u>10,205,982.88</u>
	\$ 884,579.20
ADD:	
Other Income:	
Interest and discount earned	\$ 134,017.04
Miscellaneous.....	35,029.45
	<u>169,046.49</u>
NET PROFIT FOR THE YEAR — Wagon routes.....	\$ 1,053,625.69
RESERVE FOR CONTINGENCIES:	
Appropriated from profits in prior years	\$ 280,000.00
DEDUCT:	
Loss from operation of Jewel Food Stores, Inc. from March 14, 1932 to December 31, 1932, including costs of reconditioning and renovating the warehouse and stores, charged to reserve for contingencies by direction of Board of Directors....	210,442.62
	<u>69,557.38</u>
SURPLUS BALANCE, January 2, 1932	\$ 1,123,183.07
	<u>2,404,356.66</u>
	\$ 3,527,539.73
DEDUCT:	
Dividends paid on common stock (\$3.75 per share)	\$ 996,053.18
Transfer to capital account, as authorized by Board of Directors, of an amount equivalent to advances from Jewel Tea Co., Inc. to Jewel Food Stores, Inc. for acquisition of assets and for working capital	1,100,000.00
	<u>2,096,053.18</u>
SURPLUS BALANCE, December 31, 1932.....	\$ 1,431,486.55

JEWEL TEA CO., INC.

(Wagon Routes)

TABLE OF
COMPARATIVE SALES AND EARNINGS

YEAR	UNITS*	SALES		EARNINGS	
		WEEKLY AVG. PER UNIT	TOTAL	AMOUNT	PER SHARE ON COMMON STOCK**
1921	1,005	\$206.30	\$11,210,388	\$ 321,457	\$1.15
1922	994	197.69	10,240,810	152,149	.54
1923	998	241.87	12,554,875	624,200	2.23
1924	1,030	255.47	13,602,745	855,076	3.05
1925	1,059	256.33	14,178,478	838,947	3.00
1926	1,090	260.52	14,568,258	1,258,052	4.49
1927	1,096	256.07	14,532,336	1,261,391	4.50
1928	1,121	277.68	15,970,893	1,530,888	5.47
1929	1,215	274.60	16,844,110	1,691,302	6.04
1930	1,280	239.66	15,521,791	1,705,293	6.09
1931	1,334	197.61	13,742,691	1,363,780	4.87
1932	1,340	159.63	11,090,562	1,053,626	3.76

*Number of units in operation at end of year.

**Based on 280,000 shares.